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September 16, 1970



FEDERAL-PROVINCIAL CONFERENCE

OTTAWA

SEPTEMBER 16, 1970

STATEMENT OF CONCLUSIONS

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FEDERAL-PROVINCIAL CONFERENCE - SEPTEMBER 16, 1970

General

1. The Prime Ministers and Premiers met in Ottawa on September 16, 1970, in a Federal-Provincial Conference to consider matters of current concern. They discussed tax reform, the agricultural situation and a proposal from Quebec for a stabilization fund. They also considered aspects of the following subjects: forestry policy, unemployment and transient movement, designation of regional development zones.

Tax Reform

2. The First Ministers had an exchange of views concerning proposals for tax reform contained in the Government of Canada's White Paper on Taxation and in various provincial presentations at the three meetings of the Ministers of Finance on this subject. They gave particular attention to the changes in the federal proposals concerning the taxation of the mining industry which had recently been announced by the federal Minister of Finance. Most First Ministers welcomed these changes, although some regretted that they had not been more extensive and others wanted further study before indicating a specific reaction to these changes. Certain provincial spokesmen advanced suggestions for other changes in the federal proposals which they hoped the Government of Canada would adopt. One First Minister also reiterated his opposition to the major part of the federal tax reform proposals in their present form.
3. The Federal Government indicated that it had under examination the various comments and alternative proposals received from the provinces in previous consultations and submissions, and that new points which were advanced during this meeting would also be taken into consideration before draft legislation was placed before Parliament. It was observed that the process of presenting a White Paper had been adopted to enable provincial governments and other interested parties to make known their views on proposals before legislation was drafted, and that the many comments and suggestions that had been received, together with the work of the Parliamentary Committees on taxation, would be taken into account before legislation was put forward.
4. A number of provincial First Ministers stressed the necessity for continued close consultation with provincial Ministers to ensure that provinces could prepare for the changes which may be required in their own legislation. It was planned that the Ministers of Finance would have further discussions later this fall after the report of the Parliamentary Committees had been received. There would also be an opportunity for Ministers to discuss the proposed federal tax bill after it had been presented to Parliament in the budget next spring.

Quebec's Proposal for an Economic Stabilization Fund

5. The Prime Ministers and Premiers exchanged preliminary views on the purposes and principles of the proposal put forward by the Prime Minister of Quebec for the establishment by the Federal Government of a special fund to help provinces to cope with budgetary problems arising from cyclical unemployment and thereby to assist further in reducing disparities in social and economic conditions in the various regions of the country. Under this proposal certain federal tax resources would be directed into a fund from which grants and loans would be paid to provincial governments. The amount of aid available to a province from this fund would be related to cyclical unemployment.
6. The concept of providing short-term assistance to sustain provincial development programmes in periods of economic slow-down or when restraints are required because of inflationary pressures was of special interest to some of the First Ministers. Others recalled the need to bear in mind the totality of resources already being redistributed from the higher-income to the lower-income regions; and a number of questions were raised concerning the relationship of this proposal to other programmes such as the equalization arrangements and regional economic development measures.
7. It was agreed that this proposal and alternatives thereto should be examined as a part of the federal-provincial discussions now under way on the Federal-Provincial Fiscal Arrangements Act. These discussions will be carried on by the Continuing Committee of Officials on Fiscal and Economic Matters under the auspices of the Ministers of Finance with the objective of reaching conclusions within a period of about six months. It was also noted that federal legislation will be required with respect to the equalization arrangements which lapse March 31st, 1972, and discussions will therefore be required covering the entire range of federal-provincial fiscal relations.

The Agricultural Situation

8. The Federal-Provincial Conference discussed the general condition of the agricultural industry in Canada.
9. The First Ministers recalled their discussion of the Western agricultural situation, at their meeting last February, and it was generally agreed that the outlook was much improved since that time. At the same time, however, the Premiers of the Prairie Provinces advanced the view that there were still difficulties to be met, including a continuing shortage of cash income on the farms, and a need to develop further markets for agricultural products. It was stated that efforts would be required to provide reasonable stability of farm income. The Conference was concerned generally to ensure the vitality of agriculture. The Federal Government said it was reviewing its marketing and production policies and hoped to be able to discuss proposals soon.

10. There was also discussion concerning the current situation and prospects pertaining to the dairy, fruits and vegetables and meat industries, as well as other matters including feed freight assistance.
11. It was also noted with satisfaction that the report of the Federal Task Force on Agriculture would be examined at an Agricultural Congress which is being convened in November.

Current Interprovincial Marketing Problems

12. The First Ministers also considered current problems which were being encountered in the interprovincial marketing of certain agricultural products.
13. The Conference received a report that Bill 197, the Farm Products Marketing Agencies Bill, which is at present before Parliament, would enable national marketing boards to be established which could help to meet the marketing problems being encountered. It was noted that the Bill would provide for delegation of both federal and provincial authority to the marketing boards. It was observed, also, that while Bill 197 had been generally agreed to by Provincial Ministers of Agriculture, the Federal Government was ready, at this time, to consider suggestions which provinces might wish to offer for amendments to the Bill. It was the consensus, also, that it would be appropriate for the Bill to exclude cattle from the jurisdiction of such marketing agencies.
14. The First Ministers agreed that the passage of Bill 197 by Parliament should be expedited.
15. It was agreed, also, that until solutions are found through the structure provided by Bill 197, provincial governments would seek to avoid escalation of the problem and would review the current situation to see what might be done in the immediate future to relieve the problems which have recently developed through uncoordinated action.

OTHER BUSINESS

Unemployment and Transient Movement Designated Regions

16. The Prime Minister of British Columbia spoke to the Conference concerning the rapid growth of population within his province, most of which resulted from immigration into the province from other points of Canada and other countries. While British Columbia welcomed immigration, he stressed that this rapid growth resulted in a heavy financial and service load for the province. He also stated that his province received relatively little assistance under the programmes of the federal Department of Regional Economic Expansion, and received no equalization grant, or railway construction and operating subsidies, or hydroelectric development subsidies or loans.

17. In view of these and other factors, the Prime Minister of British Columbia argued that his province had special needs which should be recognized through the payment by the Federal Government of an annual compensating grant of \$500,000,000 to the province.
18. Another provincial view was that other provinces sustained special costs, too, when they lost young people, after incurring the costs of educating them, before they could add to the productivity of the economy of their home province.
19. The Federal Government said that they would be looking at the unemployment situation in British Columbia as they would be seeking ways to alleviate the problems of unemployment also in other parts of the country. There would also be continued consultation with the province concerning possible projects in the province under the Department of Regional Economic Expansion.
20. The Premier of Saskatchewan expressed the view that his province had been receiving less than its fair share of funds available under the programmes of the Department of Regional Economic Expansion and relatively little expenditure on public works in a time of recession. The three Prairie Provinces reiterated their complaint that they suffered from discriminatory freight rates.
21. The Federal Government said that projects in Saskatchewan were being advanced as much as practicable, and that there would be discussion between federal and provincial authorities on the freight rates question.

Forestry

22. The Prime Minister of British Columbia proposed that there should be increased federal financial participation in the development and preservation of the forestry resource, and in the development of export markets for forest products. He proposed a meeting between federal and provincial authorities to consider this.
23. One suggestion of interest to several First Ministers was the development of a fleet of water bombers to be available across the country to fight forest fires.

